Consumers spend and earn more

BY JEANNINE AVERSA
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WASHINGTON — Americans earned more and spent more last month, and the number of people applying for unemployment benefits dropped last week to the lowest level in more than two years. At the same time, demand for long-lasting manufactured goods and new homes fell off.

All told, the latest government data released the day before Thanksgiving suggest an improving picture of the economy. Income and spending are rising, and layoffs are slowing. This comes amid a decline in manufacturing activity, which had been a source of strength for months after the recession ended, and a struggling housing market.

Analysts question whether incomes can continue to grow at a consistent pace and keep consumers spending enough to invigorate the economy.

"The flurry of U.S. data this morning suggests that households have started to pickup the baton of growth from businesses," said Paul Dales, U.S. economist at Capital Economics. "Whether or not households will be able to shoulder the burden of growth on their own is another matter.

Consumers boosted their spending 0.4 percent in October, the Commerce Department said Wednesday. That was up from a 0.3 percent increase in September.

People showed a slightly bigger appetite to spend because their incomes rose 0.5 percent, reflecting a slowly healing jobs market that gave a boost to wages and salaries. Incomes didn't grow at all in September. The increases in both income and spending last month were the most since August.

And inflation is running at a record low. Prices for goods excluding food and energy rose just 0.9 percent in the 12 months ending in October, the Commerce report noted. That was down from a 1.2 percent annual gain posted in September. Inflation is running at a pace below the Fed's comfort zone of between 1.5 percent and 2 percent.